

MINUTES

RHODE ISLAND HIGHER EDUCATION ASSISTANCE AUTHORITY BOARD OF DIRECTORS' MEETING

December 20, 2013

The 330th meeting of the Rhode Island Higher Education Assistance Authority was held Friday, December 20, 2013 in the McKenna Conference Room, of 560 Jefferson Blvd., Warwick, RI. Chairwoman LaSalle called the meeting to order at 8:35 a.m.

Board Members in Attendance:

Ms. Faith LaSalle, Chairwoman

Dr. William Croasdale, Vice Chairman

Mr. John Howell

Mr. Robert Delaney

Mr. Dennis Duffy, Esq.

Mr. Daniel Egan

Board Members Absent:

Ms. Patricia Doyle

Mr. Christopher Feisthamel, designee for General Treasurer Gina Raimondo

Also Attending:

Ms. Gail Mance-Rios, Acting Executive Director

Mr. Joseph Palumbo, Esq., Legal Counsel

Mr. Charles Miller, Chief Information Officer

Mr. Marc Lacroix, CFO

Ms. Dana Peterson-Fatuda, Assistant Administrative Officer

Ms. Linda Makhlouf, Director of Program Administration, HR

**Mr. Thomas Pearce, Interim Director of Program Administration,
Account Resolution**

Ms. Lisa Shevlin, WaytogoRI

Ms. Patia Bertram, Accounting

Mr. Michael Joyce, Scholarships & Grants

Mr. Blake Collins, Legislative Analyst

Ms. Patricia Roberts, Alliance Bernstein

Mr. Joseph Powers, Alliance Bernstein

Mr. Steven Strycharz, Council 94 President

Mr. Ben Chandhok, Legislative Budget Analyst

1. Approval of the Minutes of the RIHEAA Board of Directors' meeting held on November 26, 2013 was unanimously approved. Correction reflecting that Mr. Lacroix was not in attendance was approved.

2. Chair's Report: Ms. LaSalle stated that the Academic Decathlon is requesting a \$1,500 grant to help support the Decathlon, being held in March 2014. A motion to support the Academic Decathlon with \$1,500 was made by Mr. Egan and seconded by Mr. Duffy.

Voted in favor: Dr. Croasdale, Mr. Duffy, Mr. Delaney and Mr. Egan.

Voted against: None

*** It should be noted that Mr. Howell and Ms. LaSalle did not vote. Mr. Howell is President of the Board and Ms. LaSalle is a board member.**

Ms. LaSalle stated that NEBHE (New England Board of Higher Education) is requesting \$5,000 sponsorship for the Excellence Awards. A motion to sponsor NEBHE with a \$5,000 sponsorship that includes a table of ten was made by Mr. Egan and seconded by Mr. Howell.

Voted in favor: Dr. Croasdale, Mr. Duffy, Mr. Delaney Mr. Howell, Mr. Egan and Ms. LaSalle.

Voted against: None

Ms. LaSalle invited Board members to attend. The event will be held on March 7, 2014 at the Boston Marriot Long Wharf Hotel.

3. Acting Executive Director's Report: Ms. Mance-Rios invited Patricia Roberts and Joseph Powers of Alliance Bernstein to the table to discuss the Omnibus proposal. Ms. Mance-Rios stated that Alliance Bernstein is seeking approval from the Board to allow them to begin discussions with Pershing to consider moving CollegeBoundfund to an Omnibus platform. This will facilitate the broker/client relationship. When a client meets with their financial advisor, the advisor can see all of the client's financial programs. It integrates CollegeBoundfund into that view, additionally, CollegeBoundfund information and data will be reflected on the integrated statement from the advisor. Ms. Roberts stated that there is a shift happening in the 529 industry. Ms. Roberts stated that in the past when individuals would open an account it was a strictly paper process. From the financial advisors point of view, it is difficult to access the account information for their clients, that account is held with the program manager. AllianBernstein wants to begin discussions with Pershing in order to get in-line with Pershing (currently supports other lines of business for AllianceBernstein) to be considered for the Omnibus processing. It would be a slow process in terms of the timeline; we want to get into the queue in order to possibly take advantage of this innovation. Before a final decision, AllianceBernstein will come back to the RIHEAA Board with contract modifications, along with review from your legal counsel Joseph Palumbo.

Dr. Croasdale asked if Pershing has the largest number of accounts. Ms. Roberts stated yes, of the non 529 plans, they are the largest.

Mr. Delaney asked could this process be stopped. Mr. Powers stated yes, we could stop this at any time.

Mr. Duffy asked about clients that have had their accounts at other distributors? Mr. Powers stated that only the Pershing account holders will be moved. We would determine, with legal counsel if we should pursue other partners.

Mr. Howell asked about drawbacks? Ms. Roberts stated the newness of the program, and taking on additional compliance oversight. Ms. Roberts indicated that AllianceBernstein will make sure that there is no difference in service for RIHEAA and our clients.

4. Approval of the CollegeBoundfund Omnibus Proposal:

A motion was made by Chairwoman LaSalle to allow AllianceBernstein to move into an Omnibus model for the CollegeBoundfund seconded by Mr. Howell.

Voted in favor: Dr. Croasdale, Mr. Duffy, Mr. Delaney Mr. Egan, Mr. Howell and Ms. LaSalle.

Voted against: None

Report on the Ryan/Murray Budget & Guaranty Agencies: Ms. Mance-Rios reported that the Ryan/Murray Budget Bill includes changes to the retention rate that will have a financial impact on guaranty agencies. The rehabilitation collections retention rate will be reduced to 15% as of July 1, 2014. Ms. Mance-Rios has had conversations with NCHER (National Council of Higher Education Resources), NCHER is working on the issue. Ms. Mance-Rios stated that she will be speaking to Senator Reed's education staffer this afternoon and will let them know how this will affect RIHEAA.

5. Financial Report: Mr. Lacroix explained the impact on the Ryan/Murray Budget; he provided an analysis of the FY 2013 financials with the changes and restated them with the change. The \$900,000 grant from RIDE (Rhode Island Department of Education) is not included. Mr. Lacroix stated that Sallie Mae expects to a reduction in the commissions paid to collection vendors for rehabilitation transactions. Mr. Lacroix stated that 90% of our revenue is derived from collections, and 80% of the 90% percent is generated from rehabilitations.

Dr. Croasdale asked what impact does this have on next year's budget. Mr. Lacroix stated that in the current year, 2014 the agency will be operating in the red.

Mr. Duffy asked for a comprehensive write-up of the Bill. Ms. Mance-Rios will provide the information when available.

Ms. LaSalle stated we must begin making decisions in terms of RIHEAA's future.

Mr. Howell asked, how does this impact the reserves that we have to maintain. Mr. Lacroix stated this does not, the reserves that we must maintain are within the federal asset. There is a trailing effect of the federal asset, but it's not really material.

Ms. LaSalle asked, how much reserve do we have to maintain, is it \$15 mil? Mr. Lacroix stated no, the require reserve level within the Federal Fund is 25 basis points of the outstanding guarantees remaining, a level that we are well in excess of.

6. Compliance RFP Discussion: This item was tabled until next board meeting.

7. 2014 Board Meeting Schedule: Ms. LaSalle stated that for future Board meetings, we will alternate meeting times with RISLA. Mr. Egan made a motion to rotate board meetings start times with RISLA, with RIHEAA starting at 8:30 a.m., in January, RISLA at 8:30 a.m. in February, seconded by Mr. Howell.

Voted in favor: Dr. Croasdale, Mr. Duffy, Mr. Delaney Mr. Egan, Mr. Howell and Ms. LaSalle.

Voted against: None

Ms. Mance-Rios reminded the board that the College Savings Initiative meeting date has changed. The new date is January 24, 2014, at 8:00 a.m., at the Radisson Hotel, Warwick.

There being no further business to come before the Board of Directors, the meeting adjourned.

Adjournment was at 9:35 a.m.

Mr. John Howell

Secretary